

## Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 L-03 AGR-05 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01

FRB-03 OMB-01 /045 W

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R 130350Z FEB 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 2105

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PASS USDA FAS STEPHENS/CEP AND WILLIAMS/COT/FMD

STATE FOR ANGEVINE/F&TD

E.O. 11652: N/A

TAGS: EAGR, RPT

SUBJECT: COTTON CONTRACT PROBLEMS

REF: 032431

SUMMARY - ACCORDING TO THE OVERDUE LIST 6,690 BALES COULD BE SUBJECT CANCELLATION AND 6,246 BALES ARE ABOVE CURRENT WORLD MARKET PRICE. IF PROPOSAL CARRIED OUT DBP WOULD NOT ENFORCE OPENING OF L/C'S ON CONTRACTS NOT CANCELLED. END SUMMARY

1. AGATTACHE ADVISED MRS. REYES OF DBP OF USG POSITION AND FRIEDMAN PROPOSED PROCEDURE FOR CANCELLATION OF OVERDUE COTTON CONTRACTS PER REFTTEL. MRS. REYES' REACTION WAS THAT DBP WILL NOT BE ABLE TO CONTINUE TO SUPPORT THE U.S. COTTON SUPPLIERS BY FORCING THE MILLS TO HONOR ANY OF THE REMAINING OVERDUE CONTRACTS IF THE PROPOSED CANCELLATION PROCEDURE IS INITIATED. SHE SAID THAT: QUOTE WE WILL HAVE TO ADVISE THE MILL THAT DBP IS NO LONGER INVOLVED IN ENFORCING OVERDUE CONTRACTS AND THE PROBLEM OF REMAINING OVERDUE CONTRACTS WILL BE BETWEEN THE MILL AND THE SUPPLIER, IF THE PROPOSED ACTION IS TAKEN. END QUOTE

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MR. REYES SAID THAT CARRYING CHARGES COULD BE INCLUDED IN L/C'S IF THE MILL REQUESTED THE INCLUSION BUT THAT THE MATTER OF WHETHER OR NOT CARRYING CHARGES WERE IN ORDER WAS STRICTLY BETWEEN THE MILL AND SUPPLIER.

3. AGATTACHE TOOK ADVANTAGE OF THIS MEETING TO GET ANOTHER STATUS REPORT ON THE PROGRESS OF L/C OPENINGS.

4. LIRAG - DBP HAS NOT YET APPROVED THE L/C APPLICATIONS FOR 2000 BALES FROM HOHENBERG AND 666 BALES FROM PANAM BUT WE WERE ADVISED THAT DBP HAS ALMOST REACHED A SATISFACTORY ARRANGEMENT WITH LIRAG FOR COLLATERAL WHICH HAD BEEN A STICKING POINT IN THE APPROVAL PROCEDURE. LIRAG'S POSITION ON THE LAWRENCE AND ALLENBERG SHIPMENTS HAS NOT CHANGED I.E. THEY WANT A SATISFACTORY SETTLEMENT OF QUALITY CLAIMS AGAINST ALLENBERG AND LAWRENCE FOR PRIOR SHIPMENTS BEFORE ATTEMPTING TO OPEN L/C'S ON THE REMAINING OVERDUE CONTRACTS (ALLENBERG 668 BALES AND LAWRENCE 1,500 BALES.

YUPANGCO - MRS. REYES ADVISED THAT WITH REGARD TO THE 1,000 BALES UNDER CONTRACT CAG 440 THE COUNTRY OF FIRST INSTANCE OF PASIG, RIZAL HAS RULED AGAINST CIEC AND THAT DBP CAN NOT GO AGAINST THE COURT DECISION. COPY OF WRITTEN DECISION WILL BE PROVIDED AGATTACHE THIS WEEK. COPY WILL BE SENT USDA. DBP IS CURRENTLY RESTRUCTURING YUPANGCO'S MORTGAGE DEBT PAYMENTS AND WILL REQUIRE THAT YUPANGCO ACCEPT THE IMPORTATION OF THE 6,000 BALES UNDER CONTRACT CAH31 AS A CONTINGENCY TO APPROVAL OF THE MORE FAVORABLE AMORTIZATION SCHEDULE.

6. UNITED ASIA MFG. CO. - DBP ADVISES THAT UNITED ASIA WILL BE REQUIRED TO IMPORT THE REMAINING 690 BALES OVERDUE UNDER PANAM'S CONTRACTS NOS. 126/127 AS SOON AS THE UNITED ASIA BECOMES OPERATIONAL.

7. DBP AGAIN CONFIRMED THAT THEY CANNOT PROVIDE ANY ASSISTANCE IN THE ALLENBERG-CENTRAL 412 BALE DISPUTE BECAUSE THE CENTRAL BANK HAS OVERRULED THEM.  
SULLIVAN

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## Message Attributes

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